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DA MING INTERNATIONAL HOLDINGS LIMITED

大明國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1090)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS			
	Year ended 31 December		
	2018	2017	
	RMB'000	RMB'000	% change
Revenue	32,135,276	27,724,286	+15.9%
Gross profit	866,808	675,358	+28.3%
Total comprehensive income for the year	132,664	83,342	+59.2%
OPERATING HIGHLIGHTS			
	Year ended 31 December		
	2018	2017	% change
Stainless steel			
Sales volume (tonnes)	1,781,017	1,716,975	+3.7%
Processing volume (tonnes)	2,651,280	2,548,943	+4.0%
Processing multiple (<i>note</i>)	1.49	1.48	
Carbon steel			
Sales volume (tonnes)	2,040,593	1,583,997	+28.8%
Processing volume (tonnes)	2,098,505	1,512,503	+38.7%
Processing multiple (<i>note</i>)	1.03	0.95	
<i>Note:</i>	Processing multiple = Processing volume/Sales volume		

FINAL RESULTS

The board of directors (the “Board”) of Da Ming International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	2	32,135,276	27,724,286
Cost of sales	3	(31,268,468)	(27,048,928)
Gross profit		866,808	675,358
Other income	4	82,670	47,616
Other expenses	3	(889)	(1,141)
Other gain/(loss) – net	5	6,454	(13,673)
Distribution costs	3	(277,681)	(221,614)
Administrative expenses	3	(273,324)	(247,052)
Operating profit		404,038	239,494
Finance income	6	26,915	12,583
Finance costs	6	(211,489)	(116,701)
Finance costs – net	6	(184,574)	(104,118)
Profit before income tax		219,464	135,376
Income tax expense	7	(86,800)	(52,034)
Profit and total comprehensive income for the year		132,664	83,342
Attributable to:			
Equity holders of the Company		109,557	67,466
Non-controlling interests		23,107	15,876
		132,664	83,342
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– Basic earnings per share	8	0.09	0.06
– Diluted earnings per share	8	0.09	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		As at 31 December	
	<i>Note</i>	2018	2017
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		487,286	341,950
Property, plant and equipment		4,204,500	3,740,888
Investment properties		4,597	5,006
Intangible assets		16,453	15,330
Deferred income tax assets		75,500	61,062
Trade receivables	10	27,674	–
Other non-current assets		5,881	2,711
		<u>4,821,891</u>	<u>4,166,947</u>
Current assets			
Inventories		2,689,628	2,689,366
Trade receivables	10	506,697	419,959
Prepayments, deposits and other receivables		927,627	888,085
Restricted bank deposits		1,076,064	824,868
Cash and cash equivalents		140,004	166,151
		<u>5,340,020</u>	<u>4,988,429</u>
Total assets		<u>10,161,911</u>	<u>9,155,376</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		106,607	106,607
Reserves		2,387,020	2,322,971
		<u>2,493,627</u>	<u>2,429,578</u>
Non-controlling interests		<u>358,975</u>	<u>267,626</u>
Total equity		<u>2,852,602</u>	<u>2,697,204</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2018

		As at 31 December	
	<i>Note</i>	2018	2017
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		850,183	1,295,161
Deferred government grants		87,909	53,535
Deferred income tax liabilities		15,636	11,349
Trade payables	11	8,959	–
Long terms payables		38,750	–
		<hr/> 1,001,437	<hr/> 1,360,045
Current liabilities			
Trade payables	11	2,153,632	2,167,165
Accruals, advances from customers and other current liabilities		389,720	819,801
Contract liabilities		439,470	–
Current income tax liabilities		75,032	54,583
Borrowings		3,243,536	2,053,232
Current portion of deferred government grants		4,482	3,346
Dividends payable		2,000	–
		<hr/> 6,307,872	<hr/> 5,098,127
Total liabilities		<hr/> 7,309,309	<hr/> 6,458,172
Total equity and liabilities		<hr/> 10,161,911	<hr/> 9,155,376

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Company		Non-controlling interests	Total equity
	Share Capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017	97,400	2,062,317	254,130	2,413,847
Comprehensive income				
Profit for the year	–	67,466	15,876	83,342
Total comprehensive income for the year ended 31 December 2017	–	67,466	15,876	83,342
Transactions with owners				
Employee share options scheme				
– value of employee services	–	3,868	120	3,988
Employee share award scheme				
– value of employee services	–	8,909	–	8,909
Issue of shares	9,191	311,805	–	320,996
Exercise of share option	16	381	–	397
Dividends	–	(131,775)	(2,500)	(134,275)
Total transactions with owners	9,207	193,188	(2,380)	200,015
Balance at 31 December 2017	<u>106,607</u>	<u>2,322,971</u>	<u>267,626</u>	<u>2,697,204</u>
Balance at 1 January 2018	106,607	2,322,971	267,626	2,697,204
Comprehensive income				
Profit for the year	–	109,557	23,107	132,664
Total comprehensive income for the year ended 31 December 2018	–	109,557	23,107	132,664
Transactions with owners				
Employee share options scheme				
– value of employee services	–	2,100	65	2,165
Employee share award scheme				
– value of employee services	–	7,317	–	7,317
Capital injection by a non-controlling shareholder	–	–	72,177	72,177
Dividends	–	(54,925)	(4,000)	(58,925)
Total transactions with owners	–	(45,508)	68,242	22,734
Balance at 31 December 2018	<u>106,607</u>	<u>2,387,020</u>	<u>358,975</u>	<u>2,852,602</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 <i>RMB'000</i>
Cash flows from operating activities	400,953	1,044,084
Cash flows from investing activities	(794,113)	(833,940)
Cash flows from financing activities	364,516	(94,388)
Net (decrease)/increase in cash and cash equivalents	(28,644)	115,756
Cash and cash equivalents at beginning of year	166,151	53,085
Exchange gain/(loss) on cash and cash equivalents	2,497	(2,690)
Cash and cash equivalents at end of year	140,004	166,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

Going concern

As at 31 December 2018, the Group’s current liabilities exceeded its current assets by approximately RMB967,852,000. The Group meets its day-to-day working capital requirements mainly through its bank borrowings and facilities with banks in the People’s Republic of China (“PRC”) and Hong Kong that are refinanced and/or subjected to renewal every twelve months. In preparing this financial statements, the directors of the Company have considered the Group’s available sources of funds as follows:

- The net cash inflows from operating activities;
- The available financing including bank borrowings in the PRC and Hong Kong to be renewed during the next twelve months, the directors are confident that these bank financing could be renewed and/or extended for at least another twelve months upon renewal based on the Group’s past experience and good credit standing; and
- Other available sources of financing from banks and other financial institutions given the Group’s credit history and that most of the Group’s property, plant and equipment are free of pledge or restriction and would be available to secure further financing when necessary.

Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from period end date of these financial statements. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual financial period commencing 1 January 2018:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments (i)	1 January 2018
HKFRS 15	Revenue from contracts with customers (ii)	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKAS 40 (Amendment)	Transfer of investment property	1 January 2018
Annual Improvements 2014-2016 Cycle		1 January 2018

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassifications and the adjustments arising from the new impairment rules (if any) are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

(i) HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules (if any) are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The Group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has performed the assessment and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. Followings are adjustment made to the amounts recognised in the balance sheet of the date of initial application (1 January 2018):

	HKAS 18 Carrying amount 31 December 2017 <i>RMB'000</i>	Reclassification <i>RMB'000</i>	HKFRS 15 Carrying amount 1 January 2018 <i>RMB'000</i>
Accruals, advances from customers and other current liabilities	819,801	(393,042)	426,759
Contract liabilities	–	393,042	393,042

The Group manufactures and sells stainless steel and carbon steel in the market.

As receivable is recognised when the goods are accepted as this is the point in time that the consideration is unconditional. The accounting treatments of revenue recognition on sales of goods are the same before and after adoption of the HKFRS 15.

The Group has obligations to provide an unconditional refund for products. Accumulated experience is used to estimate such returns at the time of sale. According to the actual situation, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

As a result, other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not have a significant impact to the financial statements.

- (b) Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases (i)	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendment)	Long-term interests in associates with joint venture	1 January 2019
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2015-2017 Cycle		1 January 2019

- (i) HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB114,000 and all of them are related to short-term leases that will be recognized on a straight-line basis as expense in profit or loss. The Group's activities as a lessee or a lessor are not material and hence the Group does not expect any significant impact on the financial statement. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intend to apply simplified transition approach, and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. REVENUE

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	32,135,276	27,724,286

The chief operating decision-maker has been identified as the executive directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the decision-maker has determined that single business segment information is presented as all of the Group's sales and operating profits are derived from the sales of stainless steel and carbon steel products, and all of the Group's productions and operating assets are located in Mainland China, which is considered as one segment with similar risks and returns.

The Group is domiciled in Mainland China. The revenue from external customers in the PRC accounted for more than 90% of the Group's total revenue.

During the year ended 31 December 2018, none of the customers of the Group from whom the revenue amounted to 10% or more of the Group's revenue (2017: None).

The result of its sales from external customers in different countries and regions was as follows:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
– Mainland China	31,370,542	27,084,654
– Hong Kong and other overseas countries and regions*	764,734	639,632
Total sales	32,135,276	27,724,286

* Other overseas countries and regions mainly represented Australia, United States of America, South Korea, Europe and Southeast Asia.

The Group has recognised following liabilities related to contracts with customers:

	As at 31 December 2018 RMB'000	As at 1 January 2018 RMB'000
Contract liabilities – advances from customers	439,470	393,042

All the carried-forward contract liabilities satisfied in a prior year is recognised as revenue during the year ended 31 December 2018.

3. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs, administrative expenses and other expenses were analysed as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Changes in inventories of finished goods	(156,778)	(109,786)
Raw materials consumed	30,757,247	26,619,661
Outsourced processing cost	52,516	22,701
Stamp duty, property tax and other surcharges	35,073	28,870
Transportation costs	149,864	127,891
Employee benefit expenses, including directors' emoluments	584,853	486,152
Depreciation and amortisation	202,724	166,597
Operating lease rental for buildings	4,342	5,423
Utilities charges	60,628	47,714
Provision for write-down of inventories	34,328	37,153
Auditors' remuneration – audit services	3,050	3,000
Provision for impairment of trade receivables	931	666
Entertainment and travelling expenses	37,876	34,896
Professional service expenses	6,713	3,364
Bank charges	9,848	8,059
Others	37,147	36,374
	31,820,362	27,518,735

4. OTHER INCOME

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of scraps and packaging materials	41,201	31,254
Subsidy income	29,373	7,714
Amortisation of deferred government grants	4,720	2,989
Rental income	367	370
Others	7,009	5,289
	<u>82,670</u>	<u>47,616</u>

5. OTHER GAIN/(LOSS) – NET

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/gain on disposal of property, plant and equipment – net	(552)	15
Foreign exchange gain/(losses) – net	7,953	(9,972)
Others	(947)	(3,716)
	<u>6,454</u>	<u>(13,673)</u>

6. FINANCE COSTS – NET

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings	152,168	109,499
Interest expenses on bank/commercial acceptance notes and letter of credit	49,691	45,094
Exchange loss/(gain) – net	24,419	(18,635)
	<u>226,278</u>	<u>135,958</u>
Less: amounts capitalised on qualifying assets	<u>(14,789)</u>	<u>(19,257)</u>
Total finance costs	211,489	116,701
Finance income:		
Interest income	(26,915)	(12,583)
Finance costs – net	<u>184,574</u>	<u>104,118</u>

7. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Mainland China corporate income tax	96,951	77,270
Deferred income tax	(10,151)	(25,236)
	86,800	52,034

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiary incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands is exempted from payment of British Virgin Islands income tax.

Subsidiaries incorporated in Hong Kong are subject to income tax at the prevailing rates of 16.5%. Hong Kong profits tax has not been provided as there is no estimated assessable profit arising in or derived from Hong Kong during the financial periods.

The PRC Corporate Income Tax (“CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

Jiangsu Daming, Daming Precision Sheet, Jingjiang Daming Heavy Industry, Qianzhou Daming, Hubei Daming, Taiyuan Taigang Daming, Hangzhou Wanzhou, Wuhan Fortune, Tianjin Taigang Daming, Allybest Trading, Zibo Daming, Daming Metal Technology, Daming Import & Export, Steel Union Logistics and Shandong Allybest and Zhejiang Daming are subject to corporate income tax rate of 25% for the year 2018.

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	<u>109,557</u>	<u>67,466</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,221,915</u>	<u>1,184,867</u>
Basic earnings per share (RMB per share)	<u>0.09</u>	<u>0.06</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2018	2017
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	109,557	67,466
Weighted average number of ordinary shares in issue (thousands)	1,221,915	1,184,867
Adjustments for share option plan (thousands)	2,046	6,459
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,223,961	1,191,326
Diluted earnings per share (RMB per share)	<u>0.09</u>	<u>0.06</u>

9. DIVIDENDS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Interim dividend	54,925	–
Proposed final dividend	–	–
	<u>54,925</u>	<u>–</u>

On 24 August 2018, the Company's board of directors recommended payment of an interim dividend of HKD0.05 per share.

The directors do not recommend payment of a final dividend in respect of the year ended 31 December 2018 (2017: nil).

The dividends actually paid in 2018 were HKD62,259,500 (equivalent to approximately RMB54,925,000) (2017: HKD149,400,000, equivalent to approximately RMB131,775,000) based on the number of issued shares outstanding at relevant time.

10. TRADE RECEIVABLES

	2018			2017		
	Current RMB'000	Non-Current RMB'000	Total RMB'000	Current RMB'000	Non-Current RMB'000	Total RMB'000
Accounts receivable	301,403	27,674	329,077	157,363	–	157,363
Notes receivable						
– bank acceptance notes	196,277	–	196,277	260,671	–	260,671
– commercial acceptance notes	11,126	–	11,126	3,557	–	3,557
	<u>508,806</u>	<u>27,674</u>	<u>536,480</u>	<u>421,591</u>	<u>–</u>	<u>421,591</u>
Less: provision for impairment	(2,109)	–	(2,109)	(1,632)	–	(1,632)
	<u>506,697</u>	<u>27,674</u>	<u>534,371</u>	<u>419,959</u>	<u>–</u>	<u>419,959</u>

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2018, bank acceptance notes of RMB188,770,000 (2017: RMB116,646,000) were pledged as security for notes payable for the Group. None of notes receivable (2017: RMB52,292,000) was pledged as security for bank borrowings for the Group as at 31 December 2018.

As at 31 December 2018, bank acceptance note of RMB3,333,000 (2017: RMB10,163,000) were pledged as security for letters of guarantee.

The majority of the Group's sales are made on (i) cash on delivery, (ii) bank or commercial acceptance notes with maturity within 1 year, and (iii) credit terms within 180 days. As at 31 December 2018 and 2017, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Accounts receivable		
– Within 30 days	308,514	142,067
– 30 days to 3 months	14,294	11,422
– 3 months to 6 months	3,214	3,241
– 6 months to 1 year	2,599	29
– 1 year to 2 years	278	593
– over 2 years	178	11
	329,077	157,363
Notes receivable		
– Within 1 year	207,403	264,228
	536,480	421,591

11. TRADE PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Accounts payable	773,775	605,938
Notes payable	1,388,816	1,561,227
	2,162,591	2,167,165
Less: non-current portion of accounts payable	(8,959)	–
	2,153,632	2,167,165

The notes payable as at 31 December 2018 of RMB942,390,000 (2017: RMB888,716,000) was secured by restricted bank deposits of approximately RMB713,055,000 (2017: RMB727,768,000) and bank acceptance notes of RMB188,770,000 (2017: RMB116,646,000).

The aging analysis of the trade payables was as follows:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	2,162,516	2,167,121
6 months to 1 year	50	–
1 year to 2 years	12	23
2 years to 3 years	13	21
	<u>2,162,591</u>	<u>2,167,165</u>

Trade payables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	2,133,373	2,153,251
USD	29,218	13,914
	<u>2,162,591</u>	<u>2,167,165</u>

The carrying amounts of trade payables approximate their fair value as at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Processing centres

We are a leading metals processing service provider providing comprehensive processing service to modern manufacturers in China with more than 20,000 active customers. Our processing services cover the whole manufacturing process including cutting, slitting, polishing, forming, welding, heat treating, machinery, painting and assembling. The Group has established nine processing centres strategically located in various regions in China, namely, Wuxi, Hangzhou, Tianjin, Wuhan, Taiyuan, Zibo, Jingjiang, Taian and Qianzhou while the tenth processing centre are being built in Jiaxing, Zhejiang province.

The construction work of the Group's tenth processing centre in Jiaxing, Zhejiang province commenced on 23 May 2018 pursuant to a joint venture agreement with Hanwa Co., Ltd. dated 19 March 2018 in respect of the formation of a joint venture in the PRC. The joint venture will be primarily engaged in the processing and sales of stainless steel, carbon steel and steel alloy, research and development, manufacturing, processing and sales of mechanical and metal parts, as well as import and export of various commodities and technology.

Hanwa Co., Ltd. shall, through the joint venture, assist the Group to promote its products to Japanese invested home electronic appliance, escalator, automobile manufacturers and expand the Group's market share in this regard.

Deep processing services

1. Manufacturing components for China's first SC200 superconducting proton therapy system

Daming Heavy Industry has completed the processing and delivery of the components of China's first SC200 superconducting proton therapy system. The client takes the international advanced tumour radiotherapy technology - proton heavy ion radiotherapy technology as its principal research direction, specialising in the research and development, production, sales, equipment operation, maintenance and management of medical equipment. This China's first SC200 superconducting proton therapy system processed is a highly sophisticated software and hardware integrated system, which consists of superconducting cyclotron, beam transmission system, therapeutic rotating frame, therapeutic supporting frame and structural parts and therapeutic table, positioning and collimation system. Daming Heavy Industry was responsible for the manufacturing of the therapeutic rotating frame.

2. *Manufacturing components for “China’s number one excavator” of Xuzhou Construction Machinery Group (“XCMG”)*

The 700-ton electric hydraulic excavator, known as “China’s number one excavator”, has been manufactured successfully by XCMG, while Daming Heavy Industry was responsible for the manufacturing of components of rotating platform main body.

The upper car body of the excavator is comprised of three components, namely the left platform, right platform and rotating platform main body. Having considered that the upper car body, which was machinery processed by Daming Heavy Industry, is a key component of the excavator, and the processing involved numerous procedures and required high level of precision, and its quality would directly affect the performance of the excavator, Daming Heavy Industry has established a Inter-departmental unit to jointly tackle the problems.

3. *Daming Heavy Industry completed its first largest thickener auxiliary equipment to be exported to Chile*

For the first time, Daming Heavy Industry had completed the processing of a thickener equipment with a diameter of 99 metres, which will be exported to Chile. Currently, this thickener auxiliary equipment is the largest of its kind in China.

The thickener auxiliary equipment has a diameter of 99 metres and weighs approximately 330 tons. It is made from Q345B material and designed by Outotec, a world-renowned leading corporation in mineral processing and metal manufacture technology. Due to the numerous material requirements of the equipment, Daming Heavy Industry made full use of the Group’s resources to place more orders to fulfill the production needs. The procedures involved in the processing included unloading, assembling, welding, press forming, machinery processing, final assembly, and sandblasting and paint application. During the production, the technology department and production department of Daming Heavy Industry proposed initiatives for the further improvement of the production quality and had set up requirements such as adhering to the welding standards in the U.S., improving the processing efficiency to meet the delivery schedule and product packaging specifically for exports. These efforts had been highly praised by our customer. Due to the relatively large number of main structural materials used in the product, it was extremely difficult to proceed the sandblasting and paint application procedure. The customer had arranged quality engineers and third-party supervisors to station in the plant to inspect every procedure and to scrutinise the size of packages according to the logistic agent’s standards in order to ensure safe and convenient shipping and unloading of delivered goods.

Subsequent to the seamless cooperation, the customer has indicated its intention for further cooperation for more products, and has placed additional orders for other products on the agenda.

4. *The Zhoushan Base of Zhejiang Petrochemical*

A total of RMB173.08 billion had been invested in the Zhejiang Petrochemical integrated refining and chemical project, of which the designed annual refining capacity is 40 million tons. The project will be constructed in two phases. The first phase is currently under construction and it is planned to clear the whole pipeline and commence production at the end of 2018. In the Zhejiang Petrochemical project, Daming Heavy Industry undertook the processing of 31 carbon steel towers, with an aggregate weight of nearly ten thousand tons, for five devices which are used for butadiene, propane dehydrogenation, styrene, gas fractionation and aromatic hydrocarbon under the project; 33 stainless steel and composite panel equipment, with an aggregate weight of 1,680 tons; 5 heat-exchangers, with an aggregate weight of 70 tons.

5. *Large scale turbine hub of the first 12MW wind power equipment in the world*

In early October 2018, Daming Heavy Industry processed the large scale turbine hub of the first 12MW wind power equipment in the world.

Due to the special shape, complex structure and large volume of wind turbine hub, coupled with the need for chain-linked blades and wind turbine rotor shafts for the hub, the processing was exposed to high quality risks.

The gross weight of the 12MW wind turbine hub being processed alone amounted to 60 tons, with a measurement of 7,100 mm x 6,500 mm x 6,800 mm. Both the processing and positioning involved immense difficulties. Given that the hub was a hollow structure, in order to detect the amount of deformation of the hub after processing, before refining the spindle surface and the blade surface, it is necessary to detect the amount of deformation with a laser tracker after the preliminary processing of the spindle surface and the blade surface. Moreover, it is necessary to design a specific spreader for the hoisting and turning beneath the 60-ton wind turbine hub and behind the machine tool, so as to avoid hitting the processed surface and precisely control the deformation of the finished workpiece. Daming Heavy Industry used the German Schiess double gantry boring and milling machining centre and 280 floor typing boring machine imported from Italy for processing. The first set of processing was delivered in early November, and three more blank hubs will be processed subsequently.

6. *Thickener auxiliary equipment exported to Russia*

Two sets of large thickener auxiliary equipment processed by Daming Heavy Industry for the first time were exported to Russia in December.

Using Q345E material, the thickener auxiliary equipment is 88 metres in diameter with two sets in total, which is designed by Outotec, a world-renowned leading corporation in mineral processing and metal production technology. Due to the numerous material requirements of the equipment, Daming Heavy Industry made full use of the Group's resources to place more orders to meet production needs. It has also proposed improvement initiatives to customers for the further improvement of the production quality, which has been highly praised by the customer. The customer has indicated its intention for further cooperation for more products, and has placed additional orders for other products on the agenda.

7. *Large duplex stainless steel chemical tanker project*

Wuhu Shipyard, for the first time, manufactured a large duplex stainless steel chemical tanker, and it has placed strict requirements on material quality, processing control and delivery schedule. The stainless steel chemical tanker with 28000 DWT (deadweight tonnage) is the first large stainless steel chemical tanker independently inspected by China Classification Society ("CCS"), the only professional institution engaged in vessel classification inspection business in China and an official member of International Association of Classification Societies. Daming Heavy Industry undertook the processing business of the duplex stainless steel inner bulkhead of the tanker, which mainly involved the provision of services such as production drawing design, cutting, edge planing, welding, bending and flaw detection. As the first cooperation among Wuhu Shipyard, CCS and Daming Heavy Industry in the processing of large duplex stainless steel chemical tanker, the project carried significant meaning.

8. *Da Ming served at the Sinamalé Bridge project under One Belt and One Road*

The Sinamalé Bridge project in the Maldives, undertaken by China Communications Construction Company, Ltd., is one of the major projects under One Belt and One Road. The steel box girder between bridge piers number 20 and 21 of the main bridge has been successfully completed deck closure, by which the whole bridge was linked up, and brought a step forward towards completion. In this significant construction project, Jiangsu Daming has contributed to the construction of the bridge by processing stainless steel plate embedded parts of 460 tons.

The Sinamalé Bridge, constructed by the Maldives with the help of China, is 2,000 metres long, 1,390 metres of which is a cross-sea bridge. The 760- metre long main bridge is a six-span steel tube-reinforced hybrid girder V-shaped rigid frame bridge. The whole bridge contains six deck closure sections, including three concrete girder deck closure sections and three steel box girder closure sections. It is understood that the project required a total of 460 tons of 316L stainless steel plate embedded parts, and Jiangsu Daming has four sets of equipment working simultaneously, with quality control personnel monitoring throughout the process. All of the stainless steel plate embedded parts have been supplied and have won high praise from customers.

Meanwhile, Daming Hubei Processing Centre provided quality carbon steel products for the steel mold enterprises of the bridge project, which was fully affirmed by customers and the Maldives.

Operating results

The Group recorded a net profit of approximately RMB132.7 million for the year ended 31 December 2018 representing an increase of approximately 59.2% as compared with the net profit of approximately RMB83.3 million for the year ended 31 December 2017.

The annual sales volume of our stainless steel processing business increased from approximately 1,717,000 tonnes for the year ended 31 December 2017 to approximately 1,781,000 tonnes for the year ended 31 December 2018 representing an increase of approximately 3.7% while the processing volume increased from approximately 2,549,000 tonnes for the year ended 31 December 2017 to approximately 2,651,000 tonnes for the year ended 31 December 2018 representing an increase of approximately 4.0%.

The annual sales volume of our carbon steel processing business increased from approximately 1,584,000 tonnes for the year ended 31 December 2017 to approximately 2,041,000 tonnes for the year ended 31 December 2018 representing an increase of approximately 28.8% while the annual processing volume increased from approximately 1,513,000 tonnes for the year ended 31 December 2017 to approximately 2,099,000 tonnes for the year ended 31 December 2018 representing an increase of approximately 38.7%.

FUTURE DEVELOPMENT

The Group will continue to complete the development of its processing centre in Jiaxing, Zhejiang province in 2019 to enhance its processing capacity to serve the needs of its customers.

FINANCIAL REVIEW AND ANALYSIS

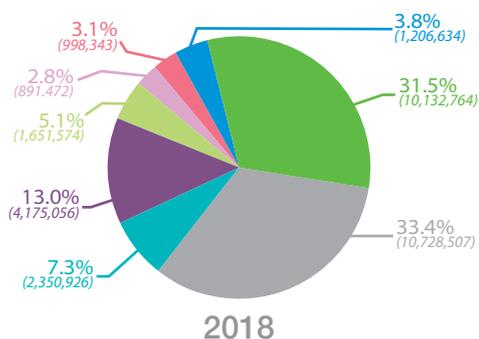
During the year under review, we recorded a revenue of approximately RMB32,135 million, gross profit of approximately RMB867 million and the profit attributable to equity holders of the Company of approximately RMB110 million. Total assets of the Group as at 31 December 2018 amounted to approximately RMB10,162 million while equity attributable to equity holders of the Company amounted to approximately RMB2,494 million.

Analysis of revenue by key industry segments

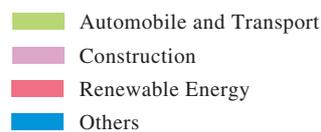
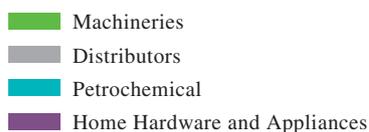
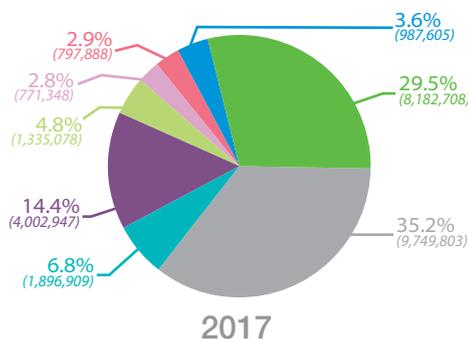
During the years ended 31 December 2018 and 2017, our revenue by key industry segments are shown below:

Industry	Revenue For the year ended 31 December			
	2018 RMB'000	%	2017 RMB'000	%
Machineries	10,132,764	31.5	8,182,708	29.5
Distributors	10,728,507	33.4	9,749,803	35.2
Petrochemical	2,350,926	7.3	1,896,909	6.8
Home Hardware and Appliances	4,175,056	13.0	4,002,947	14.4
Automobile and Transport	1,651,574	5.1	1,335,078	4.8
Construction	891,472	2.8	771,348	2.8
Renewable Energy	998,343	3.1	797,888	2.9
Others	1,206,634	3.8	987,605	3.6
Total	32,135,276	100.0	27,724,286	100.0

RMB'000



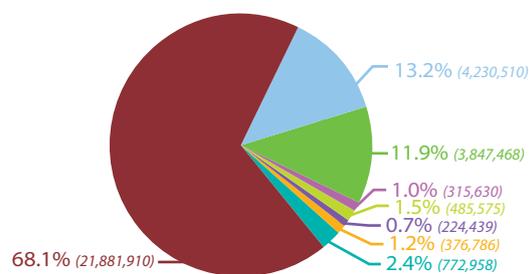
RMB'000



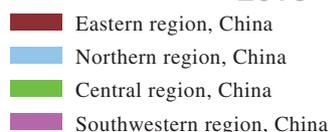
Analysis of revenue by geographic regions

Region	Revenue			
	For the year ended 31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
Eastern region, China	21,881,910	68.1	19,262,402	69.5
Northern region, China	4,230,510	13.2	3,680,624	13.3
Central region, China	3,847,468	11.9	2,562,465	9.2
Southwestern region, China	315,630	1.0	580,284	2.1
Northeastern region, China	485,575	1.5	469,075	1.7
Northwestern region, China	224,439	0.7	189,775	0.7
Southern region, China	376,786	1.2	340,029	1.2
Overseas	772,958	2.4	639,632	2.3
	32,135,276	100.0	27,724,286	100.0

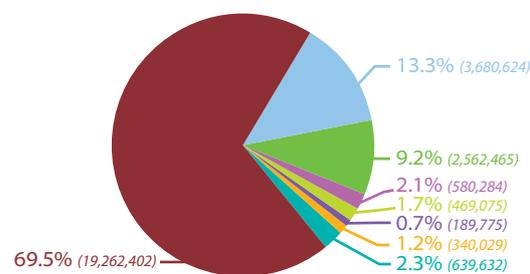
RMB'000



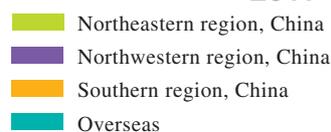
2018



RMB'000



2017



Revenue

Our revenue for the year ended 31 December 2018 amounted to approximately RMB32,135 million comprising approximately RMB24,349 million from our stainless steel processing business and approximately RMB7,786 million from our carbon steel processing business. As compared with the revenue for the year ended 31 December 2017 of approximately RMB27,724 million, it represented an increase of approximately 15.9%. Such increase was mainly due to the increase in the sales volume of stainless steel and carbon steel processing services.

Gross profit

Gross profit increased from approximately RMB675.4 million in 2017 to approximately RMB866.8 million in 2018 mainly due to the increase in revenue and the increase in profit margin.

Other income

Other income increased from approximately RMB47.6 million for the year ended 31 December 2017 to approximately RMB82.7 million for the year ended 31 December 2018 mainly due to the increase in sales of scraps and packaging materials and the increase in subsidy income.

Other gain/(loss) – net

The Group recorded a net other gain of approximately RMB6.5 million for the year ended 31 December 2018 as compared with a net other loss of approximately RMB13.7 million for the year ended 31 December 2017 mainly due to the significant increase in foreign exchange gain.

Distribution costs

Distribution costs increased from approximately RMB221.6 million for the year ended 31 December 2017 to approximately RMB277.7 million for the year ended 31 December 2018. Such increase was mainly due to the increase in staff salaries and transportation costs as a result of the increase in sales volume.

Administrative expenses

Administrative expenses increased from approximately RMB247.1 million for the year ended 31 December 2017 to approximately RMB273.3 million for the year ended 31 December 2018. Such increase was mainly due to the increase in staff costs.

Finance costs – net

Net finance costs increased from approximately RMB104.1 million for the year ended 31 December 2017 to approximately RMB184.6 million for the year ended 31 December 2018. The increase in finance costs was mainly due to the increase in interest expenses on borrowings and the increase in foreign exchange losses in 2018.

Income tax expense

Income tax expense increased from approximately RMB52.0 million for the year ended 31 December 2017 to approximately RMB86.8 million for the year ended 31 December 2018. Such increase was due to the increase in net profit in 2018.

Profit for the year

The Group recorded a profit of approximately RMB132.7 million for the year ended 31 December 2018 as compared with a profit of approximately RMB83.3 million for the year ended 31 December 2017 representing an increase of approximately 59.2%.

Capital Expenditure

In 2018, our capital expenditure consisted of additions of property, plant and equipment which amounted to approximately RMB737.7 million (2017: RMB774.8 million).

Foreign Exchange Risk Management

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and borrowings denominated in foreign currencies, mainly United States Dollar, Euro, Hong Kong Dollar and Japanese Yen, which are exposed to foreign currency translation risk.

Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the borrowings of the Group amounted to approximately RMB4,093.7 million of which approximately RMB3,243.5 million were repayable within one year, notes payables amounted to approximately RMB1,388.8 million while the bank balances were approximately RMB1,216.1 million of which approximately RMB1,076.1 million were restricted mainly for the issuance of notes payable and letter of credit.

As at 31 December 2018, the Group recorded a net current liabilities of approximately RMB967.9 million mainly due to the use of short term borrowings to finance the Group's capital expenditure in the current year. According to our experience, the Group will be able to extend the short term borrowings when due and will not cause any going concern issue. The Group will also review and monitor its financing structure in the coming year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The gearing ratio as at 31 December 2018 and 2017 calculated on this basis were 58.09% and 54.12% respectively.

HUMAN RESOURCES

The Group employed a total of 4,652 staffs as at 31 December 2018 (2017: 4,617). There was a 0.8% growth in our workforce in 2018 as compared with 2017. The increase in headcounts was due to the business expansion of our Group. The remuneration of employees was based on their performance, skills, knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis. In addition to basic salaries, employees may be offered with discretionary bonus on individual performance. The Group has also adopted share option scheme and share award scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

DIVIDEND

The Directors have declared and paid an interim dividend of HK\$0.05 (2017: nil) per share totaling HK\$62,259,500 (2017: nil) during the year.

The Board do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in enhancing shareholders' value and safeguarding interests of shareholders and other stakeholders.

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2018 except for the deviation from code provisions A.2.1 (up to 17 April 2018) and A.6.7. The Company adopted the CG Code as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Up to 17 April 2018, the positions of the chairman and the chief executive officer were held by Mr. Zhou Keming. In order to enhance the corporate governance practices of the Company, on 18 April 2018, Mr. Zhou Keming has resigned as the chief executive officer of the Company and Mr. Jiang Changhong has been appointed as the chief executive officer of the Company. Mr. Zhou remains as the chairman of the Board and an executive director of the Company. For detailed information, please refer to the announcement of the Company dated 18 April 2018.

Under code provision A.6.7 of the CG Code, the independent non-executive directors and nonexecutive directors should attend general meeting of the Company. Mr. Chen Xuedong and Mr. Liu Fuxing, both are independent non-executive directors of the Company, were absent from the annual general meeting of the Company held on 30 May 2018 due to their other business commitments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 14 June 2019. A notice convening the AGM will be published and dispatched to the shareholders of the Company (the "Shareholders") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019, both days inclusive. During the aforementioned periods, no request for the transfer of shares will be accepted. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 10 June 2019 in order to qualify for attending the above AGM.

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management and reviewed the audited consolidated annual results of the Company for the year ended 31 December 2018 and considered that the Company has complied with all applicable accounting standards and requirements.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.dmssc.net) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 will be dispatched to the Shareholders and available on the above websites in due course.

By order of the Board of
Da Ming International Holdings Limited
Zhou Keming
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the executive Directors are Mr. Zhou Keming (Chairman), Mr. Jiang Changhong (Chief Executive Officer), Ms. Xu Xia, Mr. Zou Xiaoping, Dr. Fukui Tsutomu, Mr. Zhang Feng, Mr. Wang Jian and Mr. Lu Ping; and the independent non-executive Directors are Mr. Chen Xuedong, Mr. Cheuk Wa Pang, Prof. Hua Min, Mr. Lu Daming, Mr. Liu Fuxing and Mr. Hu Xuefa.